

November 18, 2003

CODE: E-120-150-000

E-120-022-000

E-020-010-000

E-120-150-650

Ms. Connie Bruins
Compliance Project Manager
California Energy Commission
1516 Ninth Street (MS-2000)
Sacramento, CA 958141

Re: Post Certification Amendment to Redding Peaking Power Plant (92-SPPE-2)

Enclosed are two copies of "*REQUEST FOR A POST CERTIFICATION AMENDMENT California Energy Commission Redding Peaking Plant Project, Docket 92-SPPE-2*" dated 11/18/03. I am submitting this request to make permanent the California Energy Commission May 17, 2001 approval to temporarily remove energy production restrictions and increase emission limits from the Redding Peaking Power Plant (92-SPPE-2). These temporary conditions allow significant operating flexibility for the Peaking Power Plant but are set to expire on March 7, 2004.

As a member of Western Electricity Coordinating Council (WECC), Redding Electric Utility (REU) utilizes the peaking plant year round as a backup power supply for REU customers and is available for other members of WECC, especially California citizens, to cover loss of power transmission, on-site generation, or offsite generation. Additionally, the plant meets the peak energy demand for REU customers and WECC members throughout the year, but especially during the period July through September.

If the removal of the operating restriction is not made permanent, the peaking plant will not be able to supply long-term energy for REU customers and the citizens of California during periods of prolonged inadequate power supply as it did during the 2001 California Energy Crisis. Redding Power will soon be issued its federal Clean Air Act, Title V air operating permit that will incorporate the pre-May 17, 2001 operating and emissions limits unless these limits are revised in the near future. In short, the plant will not be available to serve the REU customer or the citizens of California if there are future periods of prolonged inadequate energy supplies unless 92-SPPE-2 is permanently amended to reflect the current, temporary operating conditions.

Ms. Connie Bruins
November 18, 2003
Page 2

The modification is administrative and should not impact REU's ability to comply with applicable laws, ordinances, regulations, and standards. If you have any questions, please call.

Sincerely,

Russ Bennett
Compliance Coordinator

Encl: REQUEST FOR A POST CERTIFICATION AMMENMENT California
Energy Commission Redding Peaking Plant Project, Docket 92-SPPE-2" dated 11/18/03

C: James C. Feider, Redding Electric Utility
Phil Heckenberg, Redding Power
R. Michael Kussow, Shasta County AQMD
Jeff Adkins, Sierra Research

DRAFT REQUEST FOR A POST CERTIFICATION AMENDMENT

California Energy Commission
Redding Peaking Plant Project, Docket 92-SPPE-2
11/18/03

OVERVIEW

This post certification amendment is requested to make permanent the California Energy Commission (Commission) May 17, 2001 "Approval of Request to Remove Energy Production Restrictions, REDDING PEAKING POWER PLANT (92-SPPE-2)".

On May 17, 2001, the CEC authorized a temporary increase in quarterly and annual permitted emission limits and the temporary removal of energy production restrictions from 92-SPPE-2 based on Commission staff's conclusion that the modification "has no potential for adverse environmental or public health and safety impacts." This authorization is scheduled to end on March 7, 2004. If the increased permitted emissions and elimination of the energy production limits are not made permanent, the Redding Peaking Power Plant will not be available to serve the Redding Electric Utility ("REU") customers and the citizens of California as it did during the 2001 California Energy Crisis. Additionally, the Shasta AQMD has indicated that it will incorporate the lower pre-May 17, 2001 emission limits and energy production restrictions into the federal Title V permit for this facility if the temporary changes are not made permanent

INFORMATION REQUIRED BY SECTION 1769

This petition for a post-certification amendment for Redding Peaking Power Plant is being submitted under the provisions of Section 1769 of Title 20, California Administrative Code (CEC Rules of Practice and Procedure and Power Plant Site Certification Regulations) to seek changes to the Conditions of Exemption for the original Small Power Plant Exemption listed in Commission amendment Order Number 95-0315-10 and modified in Resolution No. 96-0918-1(e). These proposed changes will be identical to the temporary changes approved by Commission staff in its May 17, 2001 letter to REU and associated Air Quality Analysis dated May 21, 2001.

The petition is organized to address the information requirements of Section 1769 in the order they appear in that section. The Section 1769 requirement appears in ***bold italics*** followed by a narrative response.

(A) ***A complete description of the proposed modifications, including new language for any conditions that will be affected;***

The proposed modifications and amended condition language are as follows:

1. Permanently delete Condition of Exemption ER-1 (Commission Decision, Docket No. 92-SPPE-2, page 111);

~~Condition of Exemption ER-1~~

The Applicant should operate the project as a peaking plant within the dispatch scenario (Table B-1 of Appendix B), and in response to unexpected emergencies or system operation abnormalities such as unexpected weather, unexpected daily load changes, real time scheduling mistakes or deviations, droughts, firming needs, or unforeseen regulatory delays in acquiring new base load units.

2. Delete Table B-1 of Appendix B, “Proposed Project Energy Production” (Commission Decision, Docket No. 92-SPPE-2, page B-143), referenced in Condition of Exemption ER-1;

TABLE B-1
PROPOSED PROJECT ENERGY PRODUCTION
(Source: MLP 1992b)

Energy Production		
Year	GWh	Capacity Factor
1994	42.6	7.6%
1995	38.7	6.9%
1996	28.1	5.0%
1997	14.8	2.6%
1998	7.9	1.4%
1999	5.1	0.9%
2000	8.1	1.4%
2001	3.1	0.6%
2002	2.5	0.4%
2003	7.5	1.3%
2004	5.7	1.0%
2005	4.6	0.8%
2006	3.5	0.6%
2007	2.5	0.4%
2008	2.3	0.4%
2009	1.9	0.3%

3. Permanently delete the reference to an annual dispatch limit of 137.85 GWh (Commission Decision, Docket No. 92-SPPE-2, Appendix B, page B-142) such that there is no specific limitation on power production;

~~... The applicant has applied for applicable air quality permits based upon a projected maximum annual dispatch of 137.85 GWh (MLP 1992a and 1992e, pages 1-1 and 6-7). This amount of energy from a 62.659 MW power plant would represent 2,200 hours of full power operation each year, or a capacity factor of 25 percent.~~

4. Permanently modify the quarterly tonnage limitations in AQ-9 to match temporary Condition of Exemption AQ-11 in the Commission staff's May 21, 2001 Air Quality Analysis. (Deleted language is shown as ~~strike through~~. New language is shown as **bold and underlined**.)

AQ-9 Regardless of the type of fuel firing, and including those emissions during normal, start-up, shutdown, and spinning reserve operational modes, the following **NOx** emissions limits shall apply to the peaking facility:

Redding Peaking Project NOx Emissions Limits					
Daily (lbs/day)	Quarter 1 (lbs/qtr)	Quarter 2 (lbs/qtr)	Quarter 3 (lbs/qtr)	Quarter 4 (lbs/qtr)	Calendar Year (tons/year)
826	17,000	17,000	45,000	17,000	48.00

Redding Peaking Project NOx Emission Limits			
<u>Daily</u> <u>lbs/day</u>	<u>Quarters 1, 2, and 4 total</u> <u>(pounds)</u>	<u>Quarter 3</u> <u>lbs/qtr</u>	<u>Calendar Year</u> <u>tons/year</u>
<u>826</u>	<u>70,980</u>	<u>45,000</u>	<u>58</u>

Verification: The emission records shall be made available to the CPM or the District staff upon request.

5. Permanently modify the quarterly tonnage limitations in AQ-10 to match temporary Condition of Exemption AQ-12 in the Commission staff's May 21, 2001 Air Quality Analysis.

AQ-10 Depending on the type of fuel firing, and including those emissions during normal, start-up, shutdown, and spinning reserve operational modes, the following ROC emissions limits shall apply to the peaking facility:

Fuel Type	Redding Peaking Project ROC Emissions Limits					
	Daily (lbs/day)	Quarter 1 (lbs/qtr)	Quarter 2 (lbs/qtr)	Quarter 3 (lbs/qtr)	Quarter 4 (lbs/qtr)	Calendar Year (tons/year)
Natural gas	96	2,000	2,000	5,500	2,000	5.75
Propane	226	2,000	2,000	5,500	2,000	5.75

Fuel Type	Redding Peaking Project ROC Emission Limits			
	<u>Daily</u> <u>lbs/day</u>	<u>Quarters 1, 2, and 4</u> <u>total (pounds)</u>	<u>Quarter 3</u> <u>lbs/qtr</u>	<u>Calendar Year</u> <u>tons/year</u>
<u>Natural gas</u>	<u>96</u>	<u>8,100</u>	<u>5,500</u>	<u>6.8</u>
<u>Propane</u>	<u>226</u>	<u>8,100</u>	<u>5,500</u>	<u>6.8</u>

Verification: The emission records shall be made available to the CPM or the District staff upon request.

6. Permanently include the quarterly tonnage limitations from temporary Condition of Exemption AQ-13 in the Commission staff's May 21, 2001 Air Quality Analysis.

AQ-13 Regardless of the type of fuel firing and including those emissions during normal, start-up, shutdown, and spinning reserve operational modes, the following SO₂ and PM₁₀ emissions limits shall apply to the peaking facility:

	Redding Peaking Project PM ₁₀ and SO ₂ Emissions Limits			
	Daily lbs/day	Quarters 1, 2, and 4 total (pounds)	Quarter 3 lbs/qtr	Calendar Year tons/year
SO ₂	14.4	1,230	770	1
PM ₁₀	408	34,950	22,350	28.65

Verification: The emission records shall be made available to the CPM or the District staff upon request.

6. Permanently include the quarterly offsets requirements from temporary Condition of Exemption AQ-14 in the Commission staff's May 21, 2001 Air Quality Analysis.

AQ-14 In addition to all offsets and ERCs already surrendered, the project owner/operator must permanently surrender ~~for the period up through March 7, 2004,~~ the ERC amounts presented below to mitigate the quarterly and annual emissions. ~~On March 7, 2004, the ERCs below shall revert to the project owner operator at their face value below.~~

	Face Value of Certificates Surrendered (pounds per quarter)				
	Quarter 1 lbs/qtr	Quarter 2 lbs/qtr	Quarter 3 lbs/qtr	Quarter 4 lbs/qtr	Offset Ratio
NO _x	6,667	6,667	0	6,667	1.0
ROC	785	785	0	785	1.0
PM ₁₀	3,310	3,310	0	3,310	1.0
SO ₂	418	418	770	418	1.0

Verification: On or before the date of the Energy Commission decision regarding the petition to permanently ~~temporarily~~ increase capacity and emission limits, the project owner shall provide the CPM a copy of the District banking certificate surrendered to the District, that shows emission reductions equal to the amounts specified in Condition AQ-14.

(B) A discussion of the necessity for the proposed modifications;

The deletion of the generation output limitation of 137.85 gigawatt hours (GWh) per year together with the proposed emission limit changes will ensure that the peaking plant will

be able to supply long-term energy for REU customers and the citizens of California during periods of prolonged inadequate power supply as it did during the 2001 California energy crisis. Redding Power currently has a temporary exemption from the generation output limitation and restrictive emission limits that is scheduled to expire on March 7, 2004. Additionally, Redding Power will soon be issued its federal Clean Air Act Title V operating permit, and this permit will incorporate the more restrictive pre-May 17, 2001 operating and emissions limits unless these limits are permanently changed in the near future.

The permanent amendments to the quarterly tonnage restriction limitation and increase of the NOx limitation from 48 to 58 tons would permit REU to maintain the highest possible flexibility and reliability to minimize a risk of electrical load curtailments during future periods of prolonged inadequate energy supplies.

(C) *If the modification is based on information that was known by the petitioner during the certification proceeding, an explanation why the issue is not raised at that time;*

The modification is not based on information that was known by the petitioner during the certification proceeding.

(D) *If the modification is based on new information that changes or undermines the assumptions, rationale, findings, or other basis of the final decision, an explanation of why the change should be permitted;*

The Commission granted 92-SPPE-2 on May 26, 1993. Chapter 854 of the Statutes of 1996 restructured the California electricity industry and created a competitive electricity generation market (Restructuring). Furthermore, Senate Bill No. 110 (effective January 1, 2000) amended the Warren-Alquist State Energy Resources Conservation and Development act to eliminate the requirement that the Commission's 5- and 12- year forecasts serve as the basis for the planning and certification of electric transmissions and thermal power plant facilities.

Few predicted that REU customers and the citizens of California would be subjected to periods of prolonged inadequate energy supplies following restructuring. Also, it was unknown during the 92-SPPE-2 proceedings that the Commission's forecasts would no longer serve as a basis for planning and certification. The elimination of the generation output limitation is needed to protect REU customers and the citizens of California from future periods of prolonged inadequate energy supplies. The deletion of Table B-1 (page B - 143, 92-SPPE-2C) eliminates restrictions no longer required by the Commission.

(E) *An analysis of the impacts the modification may have on the environment and proposed measures to mitigate any significant adverse impacts;*

Commission staff concluded in the May 17, 2001 "Approval of Request to Remove Energy Production Restrictions, REDDING PEAKING POWER PLANT (92-SPPE-2C)" that the modification has no potential for adverse environmental or public health and safety impacts provided that REU surrender Emission Reduction Credits (ERC's) to

reduce the potential impacts to the extent feasible. REU will permanently surrender Emission ERC's as follows:

Pollutant	Qtr 1 Lbs/Qtr	Qtr 2 Lbs/Qtr	Qtr 3 Lbs/Qtr	Qtr 4 Lbs/Qtr	Offset Ratio
NOx	6,667	6,667	0	6,667	1.0
ROC	785	785	0	785	1.0
PM10	3,310	3,310	0	3,310	1.0
SO2	418	418	770	418	1.0

(F) A discussion of the impact of the modification on the facility's ability to comply with applicable laws, ordinances, regulations, and standards;

The modification is administrative and should not impact REU's ability to comply with applicable laws, ordinances, regulations, and standards. REU is currently operating in compliance with the proposed permanent conditions, and, as such, it is only an administrative action to make these current operating conditions permanent.

(G) A discussion of how the modification affects the public;

Commission staff has concluded that the modification has no potential for adverse environmental or public health and safety impacts. REU is currently operating under these proposed permanent conditions, so the change will be purely administrative and not detectable by the public.

(H) A list of property owners potentially affected by the modifications; and

McConnell Foundation
PO. Box 492050
Redding CA

Ace Truck Dismantlers
17103 Clear Creek Road
Redding, CA 96001

JF Shea Company inc.
DBA Division 702
PO Box 494519
Redding, CA 96049

Clear Creek Auto Wreckers
17091 Clear Creek
Redding, CA 96001

Alva R. and Susan K. Graves
16991 Texas Springs Road
Redding, CA 96001

Norhtstate Truck Equipment Inc.
17011 Clear Creek Road
Redding, CA 96001

Clear Creek Cemetery
Shasta County Public Administration
1500 Court Street, Room 114
Redding, CA 96001

K J's Truck Repair & Painting
16981 Clear Creek Road
Redding, CA 96001

Sunrise Excavating
17409 Clear Creek Road
Redding, CA 96001

(I) A discussion of the potential effect on nearby property owners, the public and the parties and application proceedings.

Commission staff has concluded that the modification has no potential for adverse environmental or public health and safety impacts. The nearby property owners could be exposed to increased amounts of trace substances regulated under AB 2588, The Air Toxic "Hot Spots" Act. The nearby property owners would be notified if the increases were significant under AB 2588.

SCHEDULE

The Commission's May 17, 2001 "Approval of Request to Remove Energy Production Restrictions, REDDING PEAKING POWER PLANT (92-SPPE-2C) is scheduled to end on March 7, 2004. Shasta AQMD has indicated that they will incorporate the pre-May 17, 2001 emissions and energy production limits in the federal Clean Air Act Title V permit they are preparing unless these proposed changes are implemented expeditiously. Therefore, we respectfully request that the Commission approve the proposed modifications as expeditiously as possible.

SUMMARY

The proposed amendment will allow the peaking plant to serve the REU customer and the citizens of California if there are future periods of prolonged inadequate energy supplies. The modification is administrative and should not impact REU's ability to comply with applicable laws, ordinances, regulations, and standards.